Transit Today and into the Future

Assembly Transportation Committee

Friday, December 4, 2009, 9:30 a.m.
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA

Introduction

The purpose of this hearing is twofold: 1) the Committee is seeking to assess the overall health of transit in California; and 2) in light of reduced state funding for transit, the Committee is seeking to ascertain appropriate expectations for the role of transit with regards to implementing SB 375.

Background

Public transit in California includes bus and rail service operated by local and regional agencies and the California Department of Transportation (Caltrans). There are approximately 70 operators providing fixed-route buses, dial-a-ride programs, local and express commuter services, and paratransit services for the disabled. Commuter rail service such as *Metrolink* and *Caltrain,* and heavy rail systems like *BART* operate in large urban areas servicing daily commuters and interregional travelers. In addition, local and regional transit agencies operate five light rail systems, providing regional service for daily commuters. Caltrans manages two intercity routes operated by Amtrak, the *Pacific Surfliner* and *San Joaquin*, and financially supports a third, the *Capitol Corridor*. Over one billion unlinked passenger trips are taken annually in California via public transit.

California has a long-standing policy of assisting public transit services, beginning in 1971 with passage of the Transportation Development Act (TDA):

- **Transportation Development Act** -- The Transportation Development Act (TDA) created in each county a local transportation fund (LTF), derived from a ¼-cent of the general sales tax collected statewide and used to fund transit, both operating and capital costs.

- **Public Transportation Account** -- Public Transportation Account (PTA) revenues accrue from a sales tax on gasoline and diesel fuel. Two-thirds of PTA revenues go to the State Transit Assistance (STA) Program, which provides funds for public transit operations and for regional transit projects. STA funds are allocated to regions based upon formulae that take into consideration both population and fare revenues from the prior fiscal year.

The PTA can be an unstable funding source for transit, due primarily to the "spillover." Spillover revenues occur when revenue derived from gasoline sales taxes is proportionately higher to revenue derived from all taxable sales pursuant to a statutory formula. These revenues generally reflect higher gas prices. There have been years when there were no spillover dollars directed to the PTA and years where the spillover amount exceeded one billion dollars. These fluctuations make it difficult for transit operators to plan because PTA funding levels are difficult to estimate accurately in advance.

- **State Transportation Improvement Program (STIP) --** Every two years, the California Transportation Commission programs funds for a variety of projects that relieve congestion on state highways and local streets, including transit construction projects.

- **Bond Measures** – The state has increasingly used bond funds for various transportation programs. In 2006, voters passed Proposition 1B to provide about $20 billion in bond funding over multiple years for a variety of transportation improvement purposes, including $3.6 billion for transit. In November 2008, Proposition 1A was passed to provide $9.95 billion to develop a high-speed rail system and to improve other passenger rail systems in the state.

  Despite voter-approved authority for these bonds, California's budget woes have unfortunately thwarted its ability to sell bonds, thereby making bond funds yet another unstable source of funding for transit.

State Budget Impacts Transit

According to the California Transit Association (CTA), more than $5 billion in state funds have been diverted from public transit providers and used, instead, to shore up the General Fund during California's current budget crisis. Unfortunately, it appears that the crisis that led to these diversions is not going away any time soon. It may, in fact, even get worse. Just last month, Mac Taylor, California's non-partisan Legislative Analyst, published a report on California's fiscal outlook in which he reported:

> "Our forecast of California's General Fund revenues and expenditures shows that the state must address a General Fund budget problem of $20.7 billion between now and the time the Legislature enacts a 2010-11 state budget plan. The budget problem consists of a $6.3 billion projected deficit for 2009-10 and a $14.4 billion gap between projected revenues and spending in 2010-11. Addressing this large shortfall will require painful choices—on top of the difficult choices the Legislature made earlier this year."

As a result of the budget crisis and in addition to other transit-related cuts, the state suspended all funding for the State Transit Assistance program this year, resulting in nearly $700 million being diverted from this source alone from transit to the State General Fund.

California's transit operators are reeling as a result of these cuts and diversions. (However, some relief may be forthcoming. A recent court case found that previous transit fund diversions were inappropriate. How and when the outcome of this decision will be resolved is uncertain.) Some transit operators have cut service and others are considering fare increases. Some cities are even using City General Fund dollars to prevent transit service cuts and fare increases.

Ironically, these fiscal challenges come just as a record-breaking number of people are riding transit, by choice or by necessity. Earlier this year, the American Public Transit Association (APTA) reported that:

> "Despite falling gas prices and an economic recession, increasing numbers of Americans took 10.7 billion trips on public transportation in 2008, the highest level of ridership in 52 years and a modern ridership record….This represents a 4.0 percent increase over the number of trips taken in 2007 on public transportation, while at the same time, vehicle miles traveled (VMTs) on our nation's roads declined by 3.6 percent in 2008, according to the U.S. Department of Transportation."

Furthermore, APTA reported, "This ridership record continues a long term trend of ridership growth. Public transportation use is up 38% percent since 1995, a figure that is almost triple the growth rate of the population (14 percent) and up substantially over the growth rate for the vehicle miles traveled (VMT) on our nation's highways (21%) for that same period."

The Committee hopes to ascertain at this hearing a better understanding of the impacts that budget cuts and increased ridership demands have had on transit operations. How has the agency responded to unpredictable state funding assistance? How significant are the cuts to state transit assistance to the agency's overall operations? Similarly, how important are these cuts to the agency's long-term plans? What are the agency's goals and what are some of the discretionary means to achieve these goals? Are there factors, other than funding, that threaten the agency's ability to achieve these goals?

<u>**Transit into the Future**</u>

The state has suspended its state transit assistance just when many believe transit should be gearing up in response to SB 375 (Steinberg, Chapter 728, Statutes of 2008). SB 375 represents a monumental step forward in the state's efforts to achieve the global warming goals consistent with AB 32 (Nunez, Chapter 488, Statutes of 2006). SB 375 will require that each regional transportation plan include a sustainable communities strategy. The sustainable communities strategy must include a development pattern, which, when integrated with the transportation network and other transportation policies, will reduce the greenhouse gas emissions from automobiles and light trucks to achieve the regional emissions targets.

SB 375 seeks to develop regional plans that encourage compact development served by high quality public transit and to reduce the need to drive. The bill relies primarily on transportation funding incentives and improved planning processes to achieve its goals. Also, special environmental review consideration is provided for "transit priority projects (TPP)" as defined in SB 375. For example, TPPs meeting specific criteria will be exempt under the California Environmental Quality Act (CEQA). TPP criteria include, but are not limited to:

- A TPP project cannot be more than 8 acres and not more than 200 residential units;
- The project can be served by existing utilities;
- There will be no significant effect on historical resources caused by the project; and,
- Buildings must meet specified energy efficiency standards.

In addition to incentives and improved planning processes, SB 375 also has "teeth." Most significantly, transportation projects and programs must be consistent with the SCS to receive state transportation funding. Many believe this will likely mean a much stronger focus on transit projects and less on highway projects.

Given the emphasis on transit in implementing SB 375 specifically and in meeting the goals as set forth in AB 32 generally, the Committee seeks to find out from those who are charged with implementing these bills, what role they expect transit to play as the state moves forward to reduce greenhouse gas emissions. Have funding cuts to transit affected these expectations?